

**REPORT OF THE AUDIT OF THE  
ROWAN COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2004**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE ROWAN COUNTY FISCAL COURT**

**June 30, 2004**

The Auditor of Public Accounts has completed the audit of the Rowan County Fiscal Court for fiscal year ended June 30, 2004.

We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Rowan County, Kentucky. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Rowan County's major federal program, Community Development Block Grant – D.O.V.E.S. Building Project, for the year ended June 30, 2004.

#### **Financial Condition:**

The fiscal court had net assets of \$6,536,491 as of June 30, 2004. The fiscal court had unrestricted net assets of \$717,662 in its governmental activities as of June 30, 2004, with total net assets of \$6,522,091. In its enterprise fund, total net assets, which were all unrestricted, were \$14,400. The fiscal court had total debt principal as of June 30, 2004, of \$3,273,783 with \$617,496 due within the next year.

#### **Deposits:**

The fiscal court deposits were insured and collateralized by bank securities.



<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT .....	1
ROWAN COUNTY OFFICIALS .....	3
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	4
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS.....	13
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS .....	16
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	20
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	24
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS .....	29
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS .....	33
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS .....	37
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	41
NOTES TO FINANCIAL STATEMENTS.....	44
BUDGETARY COMPARISON SCHEDULES .....	59
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	64
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	67
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	70
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	75
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	79
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	81
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	85
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 .....	89
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS	





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Clyde A. Thomas, Rowan County Judge/Executive  
Members of the Rowan County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rowan County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Rowan County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Rowan County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rowan County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has implemented Governmental Accounting Standards Board Statements 33, 34, and 37 as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
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Members of the Rowan County Fiscal Court

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rowan County, Kentucky's basic financial statements. The accompanying supplementary information and combining fund financial statements are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of federal expenditures have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2004, on our consideration of Rowan County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a stylized, flowing script.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
October 25, 2004



ROWAN COUNTY OFFICIALS

For The Year Ended June 30, 2004

**Fiscal Court Members:**

Clyde A. Thomas	County Judge/Executive
Anna Pecco	Magistrate
Jerry Flannery	Magistrate
Troy Perkins	Magistrate
Nick Caudill	Magistrate

**Other Elected Officials:**

William W. Roberts	County Attorney
Tim Bryant	Jailer
Jean W. Bailey	County Clerk
Jim Barker	Circuit Court Clerk
Jack Carter	Sheriff
C. J. Baker	Property Valuation Administrator
John P. Northcutt	Coroner

**Appointed Personnel:**

Kerry M. Jessee	County Treasurer
Charles Stansbury	Occupational Tax Collector
Mary Ann Stevens	Finance Officer

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## **Management's Discussion and Analysis**

### **June 30, 2004**

The financial management of Rowan County, Kentucky offers readers of Rowan County's financial statement this narrative overview and analysis of the financial activities of Rowan County for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our financial statements and the notes to the financial statements.

#### **Financial Highlights**

- \* Rowan County has net capital assets of \$8,903,589 as of June 30, 2004. The fiscal court had unrestricted net assets of \$717,662 in its governmental funds as of June 30, 2004. In its enterprise fund, cash and cash equivalents were \$14,400 with total assets of \$14,400. Total debt principal as of June 30, 2004 was \$3,273,783 with \$617,496 due within one year.
- \* At the close of the current fiscal year, Rowan County balance sheet reported a fund balance of \$892,276. Of this amount, \$856,224 is available for spending at the government's discretion (unreserved fund balance).
- \* Rowan County's total indebtedness at the close of fiscal year June 30, 2004 was \$3,273,783 of which \$2,656,287 is long-term debt (due after one year). Debt additions were \$0 and debt reductions were \$600,715.
- \* In September 2003, Rowan County Fiscal Court was awarded a grant in the amount of \$500,000 from Community Development Block Grant-State Administered Small Cities Program for the purchase of the DOVES building. Rowan County expended \$498,500 during this fiscal year.
- \* Rowan County received a total of \$130,026 from the Kentucky Department of Agriculture to administer and expend to the following programs: genetic improvement (bulls), goat diversification program, cattle handling, hay, straw, and commodity and fencing. The fiscal court received \$27,497 from the Department of Environmental Protection for litter abatement funding. Rowan County received \$52,150 from the Natural Resources and Conservation Service District for the Christy Creek project clean-up.
- \* Rowan County has received from the Department of Military Affairs-Homeland Security funding for Hazmat 8, Ambulance, Fire & Rescue equipment, and FEMA funding due to disasters in Rowan County in the amount of \$919,213 and expended \$640,702.
- \* Rowan County received \$214,011 from insurance proceeds due to replacing the loss of the Morehead-Rowan County Rescue Squad building. The amount expended was for appraisal, rent, demolition, and insurance for a total of \$9,406. There were miscellaneous equipment replacement purchases during this fiscal year. The building has not been replaced at this time.

#### **Overview of the Financial Statements**

This management discussion and analysis is intended to serve as an introduction to Rowan County's basic financial statements. Rowan County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function. This is the first year of implementation and these schedules will be presented next year.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of Rowan County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Rowan County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Rowan County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues, and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of Rowan County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Rowan County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. Rowan County has one business type activity - the operation of a jail canteen.

The government-wide financial statements include not only Rowan County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with Rowan County. Rowan County has one entity, the Public Properties Corporation. It is presented as a blended component unit.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Rowan County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Rowan County can be divided into two broad categories: *governmental funds and proprietary funds*.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions.

Rowan County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Rowan County maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road and Bridge Fund, Jail Fund, D.E.S. Fund, Ambulance Fund, and County of Rowan Properties Corporation Fund, all of which are considered major funds by Rowan County. Local Government Economic Assistance Fund, Substance Abuse (State Grant Fund), Forest Fire Fund, Local Government Economic Development Fund, CDBG Fund, and the Hazmat 8 Fund, are considered non-major funds and are represented in a combined form.

Rowan County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for the General Fund and each major special revenue fund to demonstrate compliance with their budgets.

**Proprietary Funds.** Proprietary funds provide the same type of information as the business-type activities column on the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis.**

**Net assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

**Table 1**  
**County's Net Assets**

	<b><u>Governmental Activities</u></b>	
<b>Assets</b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Capital assets	8,903,598	8,526,641
Total Capital Assets	8,903,598	8,526,641
<b>Liabilities</b>		
Current and other liabilities	617,496	597,115
Long-term liabilities	2,656,287	3,277,383
Total liabilities	3,273,783	3,874,498
<b>Net Assets</b>		
Invested in capital assets,		
Net of related debt	5,629,815	4,652,143
Restricted	174,614	123,868
Unrestricted	717,662	525,659
Total net assets	6,522,091	5,301,670

### **Financial Analysis of Rowan County's Funds.**

As noted earlier, Rowan County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds Overview.* The focus of Rowan County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing Rowan County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2004 fiscal year, the combined ending fund balance of Rowan County governmental funds was \$892,276. Approximately 96% (\$856,224) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$36,053) is reserved to indicate that it is not available for new spending because it is committed.

Rowan County has six major governmental funds. These are 1) General Fund; 2) Road and Bridge Fund; 3) Jail Fund; 4) D.E.S. Fund; 5) Ambulance Fund; 6) and the County of Rowan Properties Corporation Fund. There are six non-major funds. They are the Local Government Economic Assistance Fund, Substance Abuse (State Grants Fund), Forest Fire Fund, Economic Development Fund, CDBG Fund, and the Hazmat 8 Fund.

1. The General Fund is the chief operating fund of Rowan County. At the end of June 30, 2004 fiscal year, unreserved fund balance of the General Fund was \$425,366, while total fund balance was \$431,487. The county received \$2,366,828 in Occupational tax revenues. This accounts for approximately 68% of the general fund revenue. \$500,935 was received from real and personal property taxes and accounts for 14% of the county's general fund revenues. Various other taxes, service fees, and grants make up the remaining 18% of revenues. Rowan County distributes 25% of the occupational tax to the Road and Bridge Fund for the blacktop maintenance program.
2. The Road and Bridge Fund is the fund related to county road and bridge construction and maintenance. This Fund had \$14,636 in fund balance at June 30, 2004. The fund balance at the end of the previous year was \$9,794. The fiscal year 2004 expenditures for road projects were \$2,518,216.
3. The Jail Fund is used to account for the operation of Rowan County's detention program. The Jail Fund had a fund balance at June 30, 2004 of \$2,354. That is an increase in fund balance of \$26,392 over the previous fiscal year end. The Jail Fund received \$671,455 in revenues, primarily for housing prisoners. A booking fee was also implemented which resulted in \$24,020 of additional revenue. The General Fund contributed \$397,500 to the jail operations.
4. The Local Government Economic Assistance Fund has a fund balance of \$12,198, and that is a decrease of \$27,191 over the previous fiscal year end.
5. The Substance Abuse (State Grants) fund is used to account for tobacco funds that are used to implement a substance abuse program. The original grant amount for \$50,000 was received in the previous fiscal year. The fund carryover amount was \$41,769 and the fund decreased in 2003-2004 to \$17,848.

Rowan County  
 Management's Discussion and Analysis  
 June 30, 2004  
 (Continued)

6. The Forest Fire Fund is used to account for funds received from fire protection. The county received \$1,206 in revenue and expended \$1,604, leaving a fund balance of \$25.
7. The Economic Development Fund is comprised of recaptured grant funds from Family Dollar Services, Inc. The amount of funds is \$42,400 and is reserved for economic spending only.
8. The Community Development Block Grant Fund was restricted for the purchase of a building for D.O.V.E.S. The county was awarded a grant for \$500,000 and received and expended \$498,500. The remaining \$1,500 will be received at a later date and expended to close the grant fund.
9. The Hazmat 8 Fund is restricted to the purchase of hazardous materials and equipment. The fund received \$280,007 in federal funds from the Department of Military Affairs and expended \$273,970. It has a fund balance of \$44,878 at June 30, 2004.
10. The County of Rowan Properties Corporation is designated for the payment of the Abuse Shelter and Detention Center leases. The beginning balance for the fund is \$129,043 and ending balance is \$132,214. Transfers received from the General and Jail Funds totaled \$382,996. The fund expended \$383,520 to US Bank and Central Bank & Trust.
11. The Disaster and Emergency Services Fund is used to account for funds received from state and local governments for disaster and emergency services. The County has received \$252,045 in revenue and expended \$93,825 leaving a fund balance of \$191,183.
12. The Ambulance Fund is used to account for funds received for ambulance services. The County has received \$964,982 in revenues and expended \$1,169,737 leaving a fund balance of \$3,053.

*Proprietary Funds Overview.* Rowan County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

Rowan County has one enterprise fund, the Jail Canteen Fund. The Jail Canteen Fund had a cash balance of \$14,400 as of June 30, 2004.

**General Fund Budgetary Highlights.**

Rowan County's original budget was amended during the fiscal year increasing the operating budget by \$601,946. Budget amendments were made to all areas due to state and federal grants, surplus carried forward, and increase in several accounts as opposed to projected collections.

Actual operating revenues were \$378,198 less than final budget of the Fiscal Court. This decrease was primarily from tax revenues.

Actual operating expenditures were \$785,013 less than amount originally budgeted by Fiscal Court.

Rowan County  
 Management's Discussion and Analysis  
 June 30, 2004  
 (Continued)

**Capital Assets and Debt Administration.**

*Capital Assets.* Rowan County's investment in capital assets for its government and business type activities as of June 30, 2004, amounts to \$8,903,598 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements to land other than buildings, machinery and equipment, vehicles and current year infrastructure additions.

Major capital asset events during the 2004 fiscal year included the demolition of the rescue building, the purchase of a new ambulance and backhoe. Additional information on Rowan County's capital assets can be found in Note 3 of this report.

**Table 2**  
**Rowan County's Capital Assets, Net of Accumulated Depreciation**

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Infrastructure Assets	430,010	
Land	4,328,917	4,328,917
Buildings & Improvements	3,281,469	3,351,564
Other Equipment	387,272	432,125
Vehicles & Equipment	<u>475,930</u>	<u>414,035</u>
Total Net Capital Asset	8,903,598	8,526,641

**Capital Assets and Debt Administration.**

*Long-Term Debt.* At the end of the 2004 fiscal year, Rowan County had total long-term debt outstanding of \$3,273,783. The amount of this debt due within the next year is \$617,496 and \$2,656,287 is due in subsequent years. This debt is for the detention center, abuse shelter, fire equipment, airport, road lease phase II, ambulance, 1999 series blacktop bond, and truck payment for road fund. This debt is described in Note 5 of the notes to the financial statements.

**Requests for Information**

This financial report is designed to provide a general overview of Rowan County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Rowan County Treasurer, 627 East Main Street, Morehead, Kentucky, 40351.



**ROWAN COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**



**ROWAN COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 892,276	\$ 14,400	\$ 906,676
Total Current Assets	<u>892,276</u>	<u>14,400</u>	<u>906,676</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	\$ 4,328,917	\$	\$ 4,328,917
Buildings	3,281,469		3,281,469
Other Equipment	387,272		387,272
Vehicles and Equipment	475,930		475,930
Infrastructure Assets - Net of Depreciation	<u>430,010</u>		<u>430,010</u>
Total Noncurrent Assets	<u>\$ 8,903,598</u>	<u>\$</u>	<u>\$ 8,903,598</u>
Total Assets	<u>\$ 9,795,874</u>	<u>\$ 14,400</u>	<u>\$ 9,810,274</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Due Within One Year	\$ 617,496	\$	\$ 617,496
Noncurrent Liabilities:			
Due In More Than One Year	<u>2,656,287</u>		<u>2,656,287</u>
Total Noncurrent Liabilities	<u>\$ 3,273,783</u>	<u>\$</u>	<u>\$ 3,273,783</u>
Total Liabilities	<u>\$ 3,273,783</u>	<u>\$</u>	<u>\$ 3,273,783</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	\$ 5,629,815	\$	\$ 5,629,815
Restricted For:			
Capital Projects	42,400		42,400
Debt Service	132,214		132,214
Unrestricted	<u>717,662</u>	<u>14,400</u>	<u>732,062</u>
Total Net Assets	<u>\$ 6,522,091</u>	<u>\$ 14,400</u>	<u>\$ 6,536,491</u>

The accompanying notes are an integral part of the financial statements.

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**ROWAN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2004**

**ROWAN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

<b>Functions/Programs Reporting Entity</b>	<b>Expenses</b>	<b>Program Revenues Received</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 2,549,413	\$ 227,547	\$ 10,800	\$
Protection to Persons and Property	2,277,227	1,449,657	306,978	155,621
General Health and Sanitation	188,210	12,544		
Social Services	36,352			
Recreation and Culture	116,872	49,901	374,527	
Roads	1,774,811	1,150	2,254,624	
Airports	12,500			
Road Facilities	18,565			
Interest on Long-Term Debt	174,811			
Capital Projects	549,189			498,500
Total Governmental Activities	<u>\$ 7,697,950</u>	<u>\$ 1,740,799</u>	<u>\$ 2,946,929</u>	<u>\$ 654,121</u>
Business-type Activities:				
Jail Canteen Fund	\$ 82,498	\$ 92,215		
Total Business-type Activities	<u>82,498</u>	<u>92,215</u>		
Total Primary Government	<u><u>\$ 7,780,448</u></u>	<u><u>\$ 1,833,014</u></u>	<u><u>\$ 2,946,929</u></u>	<u><u>\$ 654,121</u></u>

**General Revenues:**

Taxes:

    Real Property Taxes

    Personal Property Taxes

    Motor Vehicle Taxes

    Other Taxes

Excess Fees

Miscellaneous Revenues

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**ROWAN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (2,311,066)	\$	\$ (2,311,066)
(364,971)		(364,971)
(175,666)		(175,666)
(36,352)		(36,352)
307,556		307,556
480,963		480,963
(12,500)		(12,500)
(18,565)		(18,565)
(174,811)		(174,811)
(50,689)		(50,689)
<u>\$ (2,356,101)</u>		<u>\$ (2,356,101)</u>
	\$ 9,717	\$ 9,717
	<u>9,717</u>	<u>9,717</u>
<u>\$ (2,356,101)</u>	<u>\$ 9,717</u>	<u>\$ (2,346,384)</u>
\$ 330,278		\$ 330,278
96,626		96,626
70,246		70,246
2,534,459		2,534,459
104,426		104,426
312,077		312,077
<u>\$ 3,448,112</u>		<u>\$ 3,448,112</u>
\$ 1,092,011	\$ 9,717	\$ 1,101,728
5,430,080	4,683	5,434,763
<u>\$ 6,522,091</u>	<u>\$ 14,400</u>	<u>\$ 6,536,491</u>

The accompanying notes are an integral part of the financial statements.

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**ROWAN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

**ROWAN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

	<b>General Fund</b>	<b>Road And Bridge Fund</b>	<b>Jail Fund</b>	<b>Disaster And Emergency Services Fund</b>	<b>Ambulance Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 431,487	\$ 14,636	\$ 2,354	\$ 191,183	\$ 3,053
Total Assets	<u>\$ 431,487</u>	<u>\$ 14,636</u>	<u>\$ 2,354</u>	<u>\$ 191,183</u>	<u>\$ 3,053</u>
<b>FUND BALANCES</b>					
Fund Balances:					
Reserved for:					
Encumbrances	\$ 6,121	\$ 13,404	\$ 10,436	\$ 284	\$ 5,807
Unreserved:					
General Fund	425,366				
Special Revenue Funds		1,232	(8,082)	\$ 190,899	\$ (2,754)
Debt Service Fund					
Total Fund Balances	<u>\$ 431,487</u>	<u>\$ 14,636</u>	<u>\$ 2,354</u>	<u>\$ 191,183</u>	<u>\$ 3,053</u>
Total Liabilities and Fund Balances	<u>\$ 431,487</u>	<u>\$ 14,636</u>	<u>\$ 2,354</u>	<u>\$ 191,183</u>	<u>\$ 3,053</u>

The accompanying notes are an integral part of the financial statements.

**ROWAN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>County of Rowan Properties Corporation</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 132,214	\$ 117,349	\$ 892,276
<u>\$ 132,214</u>	<u>\$ 117,349</u>	<u>\$ 892,276</u>

\$	\$	\$ 36,052
		425,366
	117,349	298,644
<u>132,214</u>	<u></u>	<u>132,214</u>
\$ 132,214	\$ 117,349	\$ 892,276
<u>\$ 132,214</u>	<u>\$ 117,349</u>	<u>\$ 892,276</u>

**Reconciliation of the Balance Sheet - Governmental  
Funds to the Statement of Net Assets**

Total Fund Balances	\$ 892,276
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	10,644,271
Accumulated Depreciation	(1,740,673)
Long-term Debt is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations	(1,348,783)
Bonded Debt	<u>(1,925,000)</u>
Net Assets Of Governmental Activities	<u>\$ 6,522,091</u>

The accompanying notes are an integral part of the financial statements.

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**ROWAN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

**ROWAN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

	<b>General Fund</b>	<b>Road And Bridge Fund</b>	<b>Jail Fund</b>	<b>Disaster And Emergency Services Fund</b>
<b>REVENUES</b>				
Taxes	\$ 2,412,532	\$ 591,734	\$	\$
In Lieu Tax Payments	23,732	62,617		
Excess Fees	104,427			
Licenses and Permits	131,941			
Intergovernmental	797,600	1,842,838	598,512	36,989
Charges for Services			40,207	
Miscellaneous	89,686	17,313	32,707	214,935
Interest	8,240	951	29	121
Total Revenues	<u>3,568,158</u>	<u>2,515,453</u>	<u>671,455</u>	<u>252,045</u>
<b>EXPENDITURES</b>				
General Government	1,075,150			
Protection to Persons and Property	282,947		808,628	73,867
General Health and Sanitation	157,682			
Social Services	33,466	2,886		
Recreation and Culture	116,872			
Roads		2,147,714		
Airports	12,500			
Road Facilities	18,565			
Debt Service	218,266	134,204		
Capital Projects				7,532
Administration	768,625	233,412	162,900	12,426
Total Expenditures	<u>2,684,073</u>	<u>2,518,216</u>	<u>971,528</u>	<u>93,825</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>884,085</u>	<u>(2,763)</u>	<u>(300,073)</u>	<u>158,220</u>
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds	5,000	259,648	397,500	30,784
Transfers To Other Funds	(901,960)	(252,450)	(123,820)	
Total Other Financing Sources (Uses)	<u>\$ (896,960)</u>	<u>\$ 7,198</u>	<u>\$ 273,680</u>	<u>\$ 30,784</u>
Net Change in Fund Balances	\$ (12,875)	\$ 4,435	\$ (26,393)	\$ 189,004
Fund Balances - Beginning (Restated)	444,362	10,201	28,747	2,179
Fund Balances - Ending	<u><u>\$ 431,487</u></u>	<u><u>\$ 14,636</u></u>	<u><u>\$ 2,354</u></u>	<u><u>\$ 191,183</u></u>

The accompanying notes are an integral part of the financial statements.

**ROWAN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>Ambulance Fund</b>	<b>County of Rowan Properties Corporation</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$	\$ 1,206	\$ 3,005,472
			86,349
			104,427
			131,941
136,157		812,894	4,224,990
808,929			849,136
19,847		24	374,512
49	3,665	79	13,134
<u>964,982</u>	<u>3,665</u>	<u>814,203</u>	<u>8,789,961</u>
			1,075,150
881,999		275,574	2,323,015
		18,981	176,663
			36,352
			116,872
			2,147,714
			12,500
			18,565
39,525	383,520		775,515
		541,657	549,189
248,213		18,500	1,444,076
<u>1,169,737</u>	<u>383,520</u>	<u>854,712</u>	<u>8,675,611</u>
			114,350
(204,755)	(379,855)	(40,509)	114,350
164,487	382,996	43,127	1,283,542
(312)		(5,000)	(1,283,542)
<u>\$ 164,175</u>	<u>\$ 382,996</u>	<u>\$ 38,127</u>	<u>\$ 0</u>
\$ (40,580)	\$ 3,141	\$ (2,382)	\$ 114,350
43,633	129,073	119,731	777,926
<u>\$ 3,053</u>	<u>\$ 132,214</u>	<u>\$ 117,349</u>	<u>\$ 892,276</u>

The accompanying notes are an integral part of the financial statements.

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**ROWAN COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**



**ROWAN COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$	114,350
--	----	---------

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay		605,692
Depreciation Expense		(228,735)

Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources.

Financing Obligations		325,704
Bond Payments		<u>275,000</u>

Change in Net Assets of Governmental Activities	\$	<u><u>1,092,011</u></u>
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**ROWAN COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**



**ROWAN COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 14,400
Total Assets	<u>14,400</u>
<b>Net Assets</b>	
Unrestricted	14,400
Total Net Assets	<u><u>\$ 14,400</u></u>

The accompanying notes are an integral part of the financial statements.

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**ROWAN COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**



**ROWAN COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 92,215
Total Operating Revenues	<u>92,215</u>
<b>Operating Expenses</b>	
Cost of Sales	
Educational and Recreational	4,917
Miscellaneous	<u>72</u>
Total Operating Expenses	<u>4,989</u>
Operating Income (Loss)	<u>87,226</u>
<b>Nonoperating Revenues (Expenses)</b>	
Inmate Refunds	<u>(77,509)</u>
Total Nonoperating Revenues (Expenses)	<u>(77,509)</u>
Change In Net Assets	9,717
Total Net Assets - Beginning	<u>4,683</u>
Total Net Assets - Ending	<u><u>\$ 14,400</u></u>

The accompanying notes are an integral part of the financial statements.

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**ROWAN COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**



**ROWAN COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>	
Receipts From Customers	\$ 92,215
Educational and Recreational	(4,917)
Miscellaneous	(72)
Net Cash Provided By Operating Activities	<u>87,226</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Inmate Refunds on Accounts	(77,509)
Net Cash Provided By Noncapital Financing Activities	(77,509)
Net Increase (Decrease) in Cash and Cash Equivalents	9,717
Cash and Cash Equivalents - July 1	<u>4,683</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 14,400</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	<b>Jail Canteen Fund</b>
Operating Income	<u>\$ 87,226</u>
Total Cash Provided By Operating Activities	<u><u>\$ 87,226</u></u>

The accompanying notes are an integral part of the financial statements.

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**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	44
NOTE 2.	DEPOSITS .....	50
NOTE 3.	CAPITAL ASSETS .....	50
NOTE 4.	SHORT-TERM DEBT .....	51
NOTE 5.	LONG-TERM DEBT .....	51
NOTE 6.	EMPLOYEE RETIREMENT SYSTEM .....	55
NOTE 7.	DEFERRED COMPENSATION .....	55
NOTE 8.	INSURANCE .....	56
NOTE 9.	CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS .....	56
NOTE 10.	D.O.V.E.S. BUILDING PROJECT.....	56

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2004**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements utilizing a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Rowan County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**The County of Rowan Properties Corporation**

The Rowan County Fiscal Court appoints a voting majority of the County of Rowan Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the County of Rowan Properties Corporation.

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Rowan County Elected Officials Not Part Of Rowan County, Kentucky**

Kentucky law provides for election of the below officials from the geographic area constituting Rowan County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Rowan County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function 2) operating grants and contributions and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Funds are characterized as either major or non-major funds. Major funds are those funds whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary funds) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as a major fund.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road and Bridge Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Disaster and Emergency Services Fund - The purpose of this fund is to account for disaster emergency services expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, grant funds from state and federal governments, and transfers in from the city of Morehead, Kentucky to help fund the service. The funds are used to maintain and operate emergency disaster services.

Ambulance Fund - The purpose of this fund is to account for ambulance service expenses of the county. The primary sources of revenue for this fund are charges for services, grant funds from state and federal governments, and transfers in from the city of Morehead, Kentucky to help fund the service. The funds are used to maintain and operate an ambulance service.

The County of Rowan Properties Corporation – The purpose of this fund is to account for the activities of the Rowan Properties Corporation, a blended component unit of the county. The Rowan Properties Corporation issued debt to build a detention facility, for road paving, and the purchase of an abuse center. The Rowan Properties Corporation has entered into a contract, lease, and option with the County. The Governor's Office for Local Development does not require the fiscal court to report or budget these funds.

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, State Grants Fund, Hazmat 8 Fund, Forest Fire Fund, Community Development Block Grant Fund, and the Local Government Economic Development Fund.

Special Revenue Funds:

The Road and Bridge Fund, Jail Fund, Disaster and Emergency Services Fund, Ambulance Fund, Local Government Economic Assistance Fund, State Grants Fund, Hazmat 8 Fund, Forest Fire Fund, Community Development Block Grant Fund, and the Local Government Economic Development Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The County of Rowan Properties Corporation is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 31 following the assessment, and subject to lien and sale on April 30 following the delinquency date.

**Proprietary Funds**

All proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificate of deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the County of Rowan Properties Fund (Debt Service Fund). The Governor's Office for Local Development does not require this fund to be budgeted.

**J. Jointly Governed Organizations**

A jointly governed organization is an entity that results from a multigovernmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility by the participating government. The jointly governed organization can act independently of each of the participating governments. The Menifee, Morgan, and Rowan Counties Industrial Park (MMRC) meets the criteria noted above and is an organization jointly governed by the Kentucky counties previously mentioned. The Morehead-Rowan County Airport Board also meets the above criteria and is therefore as an organization jointly governed by the City of Morehead and Rowan County.

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 2. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2004, the primary government and component units' deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the county's agent in the county's name.

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2004 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 4,328,917	\$	\$	\$ 4,328,917
Total Capital Assets Not Being Depreciated	4,328,917			4,328,917
Capital Assets, Being Depreciated:				
Buildings	4,283,980			4,283,980
Other Equipment	787,987	16,454		804,441
Vehicles and Equipment	637,695	121,910		759,605
Infrastructure		467,328		467,328
Total Capital Assets Being Depreciated	5,709,662	605,692		6,315,354
Less Accumulated Depreciation For:				
Buildings	(932,416)	(70,095)		(1,002,511)
Other Equipment	(355,862)	(61,312)		(417,174)
Vehicles and Equipment	(223,660)	(60,010)		(283,670)
Infrastructure		(37,318)		(37,318)
Total Accumulated Depreciation	(1,511,938)	(228,735)		(1,740,673)
Total Capital Assets, Being Depreciated, Net	4,197,724	376,957		4,574,681
Governmental Activities Capital Assets, Net	\$ 8,526,641	\$ 376,957	\$ 0	\$ 8,903,598



**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

General Government	\$ 30,187
Protection to Persons and Property	83,756
General Health and Sanitation	11,547
Roads, Including Depreciation of General Infrastructure Assets	<u>103,245</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 228,735</u>

**Note 4. Short-term Debt**

On July 17, 2002, Rowan County paid off a loan for \$95,604 that was originally owed by the former Ambulance Service. This debt was assumed by the County as part of the County's acquisition of the Ambulance Service. This represents the final payment on this loan.

**Note 5. Long-term Debt**

**A. County of Rowan Properties Corporation – Detention Center**

On September 1, 1997, the County of Rowan Properties Corporation issued \$1,285,000 of revenue bonds for the purpose of defeasing the 1991 bond series issue. The 1991 bonds were originally issued to finance construction of the Rowan County Detention Center. The refunding bonds were dated September 1, 1997, with the requirement that semiannual interest payments be made on March 1 and September 1 of each year commencing March 1, 1998. One principal payment will be due on March 1 of each year commencing March 1, 1998. The bonds will mature March 1, 2012. As of June 30, 2004, the principal amount outstanding was \$800,000. Bond payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Interest	Principal
2005	\$ 40,265	\$ 85,000
2006	36,015	90,000
2007	31,515	95,000
2008	26,765	95,000
2009	21,967	100,000
2009-2012	34,593	335,000
Totals	<u>\$ 191,120</u>	<u>\$ 800,000</u>

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**B. County of Rowan Properties Corporation – Road Improvements**

On June 15, 1999, the County of Rowan Properties Corporation issued \$2,035,000 of revenue bonds for road improvements. The bonds require that semiannual interest and principal payments be made on June 1 and December 1 of each year commencing on December 1, 1999. One principal payment will be due on June 1 of each year commencing June 1, 2000. The bonds will mature June 1, 2009. As of June 30, 2004, the principal amount outstanding was \$1,125,000. Bond payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Interest	Principal
2005	\$ 49,243	\$ 205,000
2006	40,530	215,000
2007	31,393	225,000
2008	21,605	235,000
2009	11,148	245,000
Totals	<u>\$ 153,919</u>	<u>\$ 1,125,000</u>

**C. County of Rowan Properties Corporation - Abuse Center**

On April 23, 1996, the County of Rowan Properties Corporation entered into a loan with Firststar Bank for \$65,000 for the purchase of a building. The loan carries an interest rate of 6.25% and requires monthly payments of \$561 for 180 months, to be paid in full April 21, 2011. The principal balance of the agreement was \$35,783 as of June 30, 2004. The County of Rowan Properties Corporation has entered into a lease-purchase agreement for the building with Rowan County Fiscal Court and Rowan County Fiscal Court has subleased the building to DOVES of Gateway. The sublease with DOVES of Gateway constitutes a loan receivable for the Fiscal Court. The loan, lease purchase, and sublease are under the same terms. Loan payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Interest	Principal
2005	\$ 2,231	\$ 4,496
2006	1,937	4,789
2007	1,415	5,102
2008	1,295	5,431
2009	937	5,789
2010-2011	712	10,176
Totals	<u>\$ 8,527</u>	<u>\$ 35,783</u>

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**D. Chevrolet Truck – Loan**

On October 31, 2001, Rowan County Fiscal Court entered into a loan with GMAC for \$33,295 for the purchase of a new truck. The loan carried an interest rate of 0 (zero)% and required monthly payments of \$900 for 36 months, to be paid in full November 30, 2004. The final payment was made on June 21, 2004.

**E. Capital Lease – Road Improvements**

Rowan County entered into a \$1,000,000 lease agreement with Kentucky Association of Counties Leasing Trust Program for road improvements. The agreement requires variable monthly payments for 114 months to be paid in full January 30, 2005. The principal balance of the agreement was \$123,000 as of June 30, 2004. Lease payments for the remaining years are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2005	\$ 4,323	\$ 123,000
Totals	<u>\$ 4,323</u>	<u>\$ 123,000</u>

**F. Capital Lease – Airport Land Acquisition**

Rowan County entered into a \$1,500,000 lease agreement with the Kentucky Area Development Districts Financing Trust for airport land acquisition. The lease requires that semiannual interest payments be made on December 1 and June 1 of each year commencing December 1, 2000. One principal payment will be due on June 1 of each year commencing June 1, 2001. The lease agreement ends June 1, 2010. The Morehead – Rowan County Airport Board made a resolution that they would provide funds to the Rowan County Fiscal Court to make these payments. The Morehead – Rowan County Airport Board's ability to provide this funding is contingent on the Transportation Cabinet's Kentucky Aviation Economic Development Fund continuing to provide annual assistance to them. The principal balance on the lease was \$985,000 as of June 30, 2004. Lease payments for the remaining years are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2005	\$ 49,727	\$ 145,000
2006	42,840	150,000
2007	35,190	160,000
2008	27,030	170,000
2009	18,360	175,000
2010	9,435	185,000
Totals	<u>\$ 182,582</u>	<u>\$ 985,000</u>

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**G. Capital Lease – Fire Truck Acquisition**

Rowan County entered into a \$170,000 lease agreement with the Kentucky Area Development Districts Financing Trust for the purchase of a fire truck. The lease requires that semiannual interest payments be made on December 1 and June 1 of each year commencing December 1, 2001. One principal payment is due on June 1 of each year commencing on June 1, 2002. The lease agreement ends June 1, 2011. The principal on the lease was \$125,000 as of June 30, 2004. Lease payments for the remaining years are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2005	\$ 5,160	\$ 15,000
2006	4,620	15,000
2007	3,990	15,000
2008	3,360	20,000
2009	2,520	20,000
2010-2011	2,520	40,000
Totals	<u>\$ 22,170</u>	<u>\$ 125,000</u>

**H. Capital Lease – Debt Consolidation For Ambulance Board**

Rowan County entered into a \$150,000 lease agreement with the Kentucky Area Development Districts Financing Trust for debt consolidation of the former Rowan County Ambulance Board. The lease requires that semiannual interest payments be made on December 1 and June 1 of each year commencing December 1, 2002. One principal payment is due on June 1 of each year commencing on June 1, 2003. The lease agreement ends June 1, 2006. The principal on the lease was \$80,000 as of June 30, 2004. Lease payments for the remaining years are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2005	\$ 2,800	\$ 40,000
2006	1,400	40,000
Totals	<u>\$ 4,200</u>	<u>\$ 80,000</u>

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**I. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 2,200,000	\$	\$ 275,000	\$ 1,925,000	\$ 275,000
Financing Obligations	1,674,498		325,715	1,348,783	342,496
Governmental Activities					
Long-term Liabilities	<u>\$ 3,874,498</u>	<u>\$ 0</u>	<u>\$ 600,715</u>	<u>\$ 3,273,783</u>	<u>\$ 617,496</u>

**Note 6. Employee Retirement System**

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Ky 40601-6124, or by telephone at (502) 564-4646.

**Note 7. Deferred Compensation**

The Rowan County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 7. Deferred Compensation (Continued)**

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees Deferred Compensation Authority, 105 Sea Hero Road Suite #1, Frankfort, Ky 40601-8862.

**Note 8. Insurance**

For the fiscal year ended June 30, 2004, Rowan County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 9. Changes in Accounting Principles and Prior Period Adjustments**

The county has implemented Governmental Accounting Standards Board (GASB) Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements. The effect of this change on the beginning net assets of the governmental and business type activities is an increase of \$4,652,143 and no change respectively, due to capital assets previously not reported. The fund balances of the General Fund, Road and Bridge Fund, and the Ambulance Fund have also been restated by \$575, \$407, and \$71, respectively, for prior year voided checks.

**Note 10. D.O.V.E.S. Building Project**

The Rowan County Fiscal Court received a Community Black Development Block Grant in the amount of \$500,000 for the purpose of assisting D.O.V.E.S. of Gateway purchase a building to be used as an abuse shelter. \$480,000 of the grant proceeds was used to purchase the building and the remainder was designated for planning and administration of the grant. The purchase price of the building was \$575,700. D.O.V.E.S. of Gateway obtained a bank loan for the rest of the funds needed to purchase the building and making needed improvements to the property. The deed of conveyance giving the Rowan County Fiscal Court legal title to the property stipulates that title to the property will be conveyed to D.O.V.E.S. of Gateway within a period not less than five (5) years and not more than five (5) years and six (6) months after the closeout of the Community Development Block Grant.

**ROWAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004**





**ROWAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 2,379,800	\$ 2,739,800	\$ 2,412,532	\$ (327,268)
In Lieu Tax Payments	72,000	72,000	23,732	(48,268)
Excess Fees	35,000	97,400	104,427	7,027
Licenses and Permits	94,300	94,300	131,941	37,641
Intergovernmental Revenue	661,810	841,356	797,600	(43,756)
Charges For Services	20,000	20,000		(20,000)
Miscellaneous	61,500	61,500	89,686	28,186
Interest	20,000	20,000	8,240	(11,760)
Total Revenues	<u>\$ 3,344,410</u>	<u>\$ 3,946,356</u>	<u>\$ 3,568,158</u>	<u>\$ (378,198)</u>
<b>EXPENDITURES</b>				
General Government	1,415,678	1,486,747	1,075,150	411,597
Protection to Persons and Property	278,483	345,837	282,947	62,890
General Health and Sanitation	172,184	199,681	157,682	41,999
Social Services	35,300	35,300	33,466	1,834
Recreation and Culture	95,425	95,425	116,872	(21,447)
Airports	12,500	12,500	12,500	
Bus Services	18,656	18,656	18,565	91
Debt Service	225,404	225,404	218,266	7,138
Administration	973,509	1,049,536	768,625	280,911
Total Expenditures	<u>\$ 3,227,139</u>	<u>\$ 3,469,086</u>	<u>\$ 2,684,073</u>	<u>\$ 785,013</u>
Excess (Deficiency) of Revenues Over Expenditures Before Financing Sources (Uses)	<u>117,271</u>	<u>477,270</u>	<u>884,085</u>	<u>406,815</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds			5,000	5,000
Transfers To Other Funds	(1,047,891)	(1,047,891)	(901,960)	145,931
Total Other Financing Sources (Uses)	<u>\$ (1,047,891)</u>	<u>\$ (1,047,891)</u>	<u>\$ (896,960)</u>	<u>\$ 150,931</u>
Net Changes in Fund Balance	(930,620)	(570,621)	(12,875)	557,746
Fund Balance - Beginning	<u>930,620</u>	<u>930,620</u>	<u>444,362</u>	<u>(486,258)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 359,999</u>	<u>\$ 431,487</u>	<u>\$ 71,488</u>

**ROWAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004 (Continued)**

<b>ROAD AND BRIDGE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 600,000	\$ 600,000	\$ 591,734	\$ (8,266)
In Lieu Tax Payments	66,000	66,000	62,617	(3,383)
Intergovernmental Revenue	872,000	1,741,742	1,842,838	101,096
Miscellaneous	11,000	11,000	17,313	6,313
Interest	1,000	1,000	951	(49)
Total Revenues	<u>\$ 1,550,000</u>	<u>\$ 2,419,742</u>	<u>\$ 2,515,453</u>	<u>\$ 95,711</u>
<b>EXPENDITURES</b>				
General Government	\$ 6,000	\$ 6,000	\$	\$ 6,000
Social Services			2,886	(2,886)
Roads	1,349,435	1,981,033	2,147,714	(166,681)
Debt Service	381,051	584,695	134,204	450,491
Administration	248,549	292,843	233,412	59,431
Total Expenditures	<u>\$ 1,985,035</u>	<u>\$ 2,864,571</u>	<u>\$ 2,518,216</u>	<u>\$ 346,355</u>
Excess (Deficiency) of Revenues Over Expenditures Before Financing Sources (Uses)	<u>(435,035)</u>	<u>(444,829)</u>	<u>(2,763)</u>	<u>442,066</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	435,035	435,035	259,648	(175,387)
Transfers To Other Funds			(252,450)	(252,450)
Total Other Financing Sources (Uses)	<u>435,035</u>	<u>435,035</u>	<u>7,198</u>	<u>(427,837)</u>
Net Changes in Fund Balance		(9,794)	4,435	14,229
Fund Balance - Beginning		<u>9,794</u>	<u>10,201</u>	<u>407</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 14,636</u>	<u>\$ 14,636</u>

**ROWAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004 (Continued)**

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 553,900	\$ 559,300	\$ 598,512	\$ 39,212
Charges for Services	57,000	59,047	40,207	(18,840)
Miscellaneous	17,000	27,714	32,707	4,993
Interest	100	100	29	(71)
Total Revenues	<u>\$ 628,000</u>	<u>\$ 646,161</u>	<u>\$ 671,455</u>	<u>\$ 25,294</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	\$ 772,647	\$ 819,555	\$ 808,628	\$ 10,927
Debt Service	124,266	124,266		124,266
Administration	200,233	200,233	162,900	37,333
Total Expenditures	<u>\$ 1,097,146</u>	<u>\$ 1,144,054</u>	<u>\$ 971,528</u>	<u>\$ 172,526</u>
Excess (Deficiency) of Revenues Over Expenditures Before Financing Sources (Uses)	<u>(469,146)</u>	<u>(497,893)</u>	<u>(300,073)</u>	<u>197,820</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	469,146	469,146	397,500	(71,646)
Transfers To Other Funds			(123,820)	(123,820)
Total Other Financing Sources (Uses)	<u>469,146</u>	<u>469,146</u>	<u>273,680</u>	<u>(195,466)</u>
Net Changes in Fund Balance		(28,747)	(26,393)	2,354
Fund Balance - Beginning		<u>28,747</u>	<u>28,747</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,354</u>	<u>\$ 2,354</u>

**ROWAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004 (Continued)**

DISASTER AND EMERGENCY SERVICES FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 31,000	\$ 93,814	\$ 36,989	\$ (56,825)
Miscellaneous		172,763	214,935	42,172
Interest			121	121
Total Revenues	31,000	266,577	252,045	(14,532)
EXPENDITURES				
Protection to Persons and Property	48,338	107,152	73,867	33,285
Capital Projects		176,763	7,532	169,231
Administration	11,372	13,551	12,426	1,125
Total Expenditures	\$ 59,710	\$ 297,466	\$ 93,825	\$ 203,641
Excess (Deficiency) of Revenues Over Expenditures Before Financing Sources (Uses)				
	(28,710)	(30,889)	158,220	189,109
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	28,710	28,710	30,784	2,074
Total Other Financing Sources (Uses)	\$ 28,710	\$ 28,710	\$ 30,784	\$ 2,074
Net Changes in Fund Balances				
		(2,179)	189,004	191,183
Fund Balances - Beginning		2,179	2,179	
Fund Balances - Ending				
	\$ 0	\$ 0	\$ 191,183	\$ 191,183

**ROWAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004 (Continued)**

<b>AMBULANCE FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 125,000	\$ 156,038	\$ 136,157	\$ (19,881)
Charges For Services	876,000	876,000	808,929	(67,071)
Miscellaneous	16,800	21,445	19,847	(1,598)
Interest			49	49
Total Revenues	<u>\$ 1,017,800</u>	<u>\$ 1,053,483</u>	<u>\$ 964,982</u>	<u>\$ (88,501)</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	\$ 850,765	\$ 888,881	\$ 881,999	\$ 6,882
Debt Service	39,226	39,226	39,525	(299)
Administration	282,449	283,939	248,213	35,726
Total Expenditures	<u>\$ 1,172,440</u>	<u>\$ 1,212,046</u>	<u>\$ 1,169,737</u>	<u>\$ 42,309</u>
Excess (Deficiency) of Revenues Over Expenditures Before Financing Sources (Uses)	<u>(154,640)</u>	<u>(158,563)</u>	<u>(204,755)</u>	<u>(46,192)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	115,000	115,000	164,487	49,487
Transfers To Other Funds			(312)	(312)
Total Other Financing Sources (Uses)	<u>\$ 115,000</u>	<u>\$ 115,000</u>	<u>\$ 164,175</u>	<u>\$ 49,175</u>
Net Changes in Fund Balances	(39,640)	(43,563)	(40,580)	2,983
Fund Balances - Beginning	<u>39,640</u>	<u>46,563</u>	<u>43,633</u>	<u>(2,930)</u>
Fund Balances - Ending	<u><u>\$ 0</u></u>	<u><u>\$ 3,000</u></u>	<u><u>\$ 3,053</u></u>	<u><u>\$ 53</u></u>

**ROWAN COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2004**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**ROWAN COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
  
**For The Year Ended June 30, 2004**





**ROWAN COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2004**

	<b>LGEA Fund</b>	<b>State Grants Fund</b>	<b>Hazmat 8 Fund</b>	<b>Forest Fire Fund</b>	<b>Local Government Economic Development Grant Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 12,198	\$ 17,848	\$ 44,878	\$ 25	\$ 42,400	\$ 117,349
Total Assets	<u>\$ 12,198</u>	<u>\$ 17,848</u>	<u>\$ 44,878</u>	<u>\$ 25</u>	<u>\$ 42,400</u>	<u>\$ 117,349</u>
<b>FUND BALANCES</b>						
Fund Balances:						
Unreserved:						
Special Revenue Fund Types	\$ 12,198	\$ 17,848	\$ 44,878	\$ 25	\$ 42,400	\$ 117,349
Total Fund Balances	<u>\$ 12,198</u>	<u>\$ 17,848</u>	<u>\$ 44,878</u>	<u>\$ 25</u>	<u>\$ 42,400</u>	<u>\$ 117,349</u>
Total Liabilities and Fund Balances	<u>\$ 12,198</u>	<u>\$ 17,848</u>	<u>\$ 44,878</u>	<u>\$ 25</u>	<u>\$ 42,400</u>	<u>\$ 117,349</u>

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**ROWAN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2004**

**ROWAN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2004**

	<b>LGEA Fund</b>	<b>State Grants Fund</b>	<b>Hazmat 8 Fund</b>	<b>Forest Fire Fund</b>
<b>REVENUES</b>				
Taxes	\$	\$	\$	\$ 1,206
Intergovernmental	34,387		280,007	
Miscellaneous		24		
Interest	79			
Total Revenues	<u>\$ 34,466</u>	<u>\$ 24</u>	<u>\$ 280,007</u>	<u>\$ 1,206</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	\$	\$	\$ 273,970	\$ 1,604
General Health and Sanitation		18,981		
Capital Projects	61,657			
Administration				
Total Expenditures	<u>\$ 61,657</u>	<u>\$ 18,981</u>	<u>\$ 273,970</u>	<u>\$ 1,604</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(27,191)</u>	<u>(18,957)</u>	<u>6,037</u>	<u>(398)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds			327	400
Transfers To Other Funds		(5,000)		
Total Other Financing Sources (Uses)		<u>(5,000)</u>	<u>327</u>	<u>400</u>
Net Change in Fund Balances	(27,191)	(23,957)	6,364	2
Fund Balances - Beginning *	39,389	41,805	38,514	23
Fund Balances - Ending	<u>\$ 12,198</u>	<u>\$ 17,848</u>	<u>\$ 44,878</u>	<u>\$ 25</u>

\* - Fund Balance - Beginning has been adjusted for prior year voided checks in the State Grants Fund by \$35.

**ROWAN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>CDBG Fund</b>	<b>Local Government Economic Development Grant Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 498,500	\$	\$ 1,206
		812,894
		24
		79
<u>\$ 498,500</u>	<u>\$ 0</u>	<u>\$ 814,203</u>
 \$	 \$	 \$ 275,574
		18,981
480,000		541,657
18,500		18,500
<u>\$ 498,500</u>	<u>\$ 0</u>	<u>\$ 854,712</u>
 <u>                    </u>	 <u>                    </u>	 <u>(40,509)</u>
	42,400	43,127
		(5,000)
<u>                    </u>	<u>42,400</u>	<u>38,127</u>
	42,400	(2,382)
		119,731
<u>\$ 0</u>	<u>\$ 42,400</u>	<u>\$ 117,349</u>

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**ROWAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For The Year Ended June 30, 2004**





**ROWAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Fiscal Year Ended June 30, 2004**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rowan County, Kentucky.
2. No reportable conditions relating to the internal control over financial reporting are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Rowan County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Rowan County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Rowan County reported in Part C of this schedule.
7. The program tested as a major program was: Community Development Block Grant – D.O.V.E.S. Building Project
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Rowan County was determined to be a low-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

STATE LAWS AND REGULATIONS

None

REPORTABLE CONDITIONS

None

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

None

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None

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**ROWAN COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Other Supplementary Information**



**ROWAN COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplementary Information**

**Fiscal Year Ended June 30, 2004**

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department of Agriculture</u>		
Passed-Through State Department of Natural Resources:		
Christy Creek Emergency Watershed Protection Project (CFDA 66.474)	Not Available	\$ 57,627
<u>U.S. Department of Homeland Security</u>		
Passed-Through State Department of Military Affairs:		
Hazmat 8 WMD	Not Available	273,970
Fire Departments, Ambulance, and Rescue Squad	Not Available	61,491
Ambulance Equipment	Not Available	312
WMD/ Sheriff's Office Equipment (CFDA 97.004)	Not Available	24,716
WMD Labor Ambulance Service (CFDA 97.042)	Not Available	381
D.E.S. Coordinator Salary (CFDA 97.042)	Not Available	5,206
FEMA Disaster Recovery (CFDA 97.036)		
Severe Weather	FEMA 1407-DR-KY	18,815
Severe Weather	FEMA 1454-DR-KY	76,312
Severe Weather	FEMA 1471-DR-KY	132,062
Severe Weather	FEMA 1475-DR-KY	29,725
Severe Weather	FEMA 1523-DR-KY	22,918
Total U.S. Department of Homeland Security		\$ 645,908

**ROWAN COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplementary Information**  
**Fiscal Year Ended June 30, 2004**  
**(Continued)**

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
U.S. Department of Housing and <u>Urban Development</u>		
Passed-Through State Department for Local Government:		
Community Development Block Grant - D.O.V.E.S. Building Project (CFDA #14.228)	Not Available	498,500
<u>U.S. Department of Justice</u>		
Passed-Through State Justice Cabinet:		
Cops In School Grant (CFDA # 16.710)	Not Available	\$ 13,416
Technology Grant- Sheriff's Office (CFDA # 16.710)	Not Available	<u>17,310</u>
Total U.S. Department of Justice		30,726
Total Cash Expenditures of Federal Awards		<u>\$ 1,232,761</u>

**ROWAN COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplementary Information**  
**Fiscal Year Ended June 30, 2004**

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Rowan County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Clyde A. Thomas, Rowan County Judge/Executive  
Members of the Rowan County Fiscal Court

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rowan County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated October 25, 2004. Rowan County prepares its financial statements in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rowan County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rowan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of Rowan County Fiscal Court, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
October 25, 2004

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Clyde A. Thomas, Rowan County Judge/Executive  
Members of the Rowan County Fiscal Court

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Rowan County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Rowan County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Rowan County's management. Our responsibility is to express an opinion on Rowan County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rowan County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Rowan County's compliance with those requirements.

In our opinion, Rowan County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Rowan County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Rowan County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of Rowan County Fiscal Court, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
October 25, 2004



**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

**ROWAN COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2004**



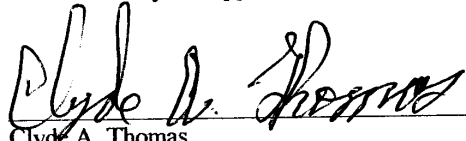
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

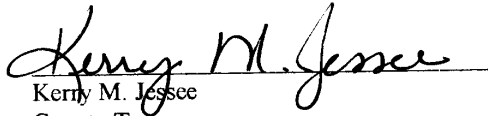
ROWAN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2004

The Rowan County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Clyde A. Thomas  
County Judge/Executive



Kerry M. Jessee  
County Treasurer



